



Audit, Finance and Enterprise Committee Report

Date: April 11, 2013
To: Audit, Finance and Enterprise Committee
Through: Chuck Odom, Senior Executive Manager
From: Candace Cannistraro, Management and Budget Director
Kari Kent, Deputy City Manager
John Pombier, Deputy City Manager
Subject: Fiscal Year 2013/2014 Utility Rate Adjustments

Strategic Initiatives



PURPOSE AND RECOMMENDATION

The purpose of this report is to provide support for the utility rate adjustments proposed for the fiscal year ending June 30, 2014 (FY 2013/14), which are consistent with the revenue requirements of the Preliminary Budget Plan for that year. Staff recommends the Committee approve the following schedule of utility rate adjustments. The rate adjustments below will be applied uniformly to all utility program rates and service classes, unless otherwise noted.

	Prior Year Projection	FY2013/14 Proposal
Electric	0.0%	0.0%
Natural Gas	0.0%	0.0%
Water	0.0%	0.0%
Wastewater	0.0%	0.0%
Solid Waste	0.0%	0.0%
District Cooling	0.0%	0.0%

The City of Mesa conducted a survey during March 2013 to determine the average financial impact of the rate adjustments on residential customers (See Attachment 1). The survey identified the amount of revenue generated from property taxes, city sales tax, and utility rates (except for electric and natural gas) by Mesa and six other local municipalities. Survey results revealed Mesa's overall cost is currently the third lowest city. Mesa will remain the third lowest city if the rate recommendations are approved.

BACKGROUND AND DISCUSSION

Utility rate revenue is the City's third largest source of revenue after city sales tax and state shared revenue. Rate schedules are adjusted annually in a manner consistent with costs of capital, as well as the fixed and variable costs of operation and maintenance.

Debt Service Methodology

This year the recommendation not to increase utility rates continues to stem from changes in methodology in dealing with the City's utility bond debt that included restructuring certain bond issuances, "right-sizing" the Capital Improvement Plan (CIP) and smoothing the future debt.

Energy Resources

Residential Electric Service Schedule

It is proposed that clarifications to the language within the residential electric utility schedule be made. These are corrections related to bill uniformity among the various city utilities and have no financial impact.

Residential Gas Service Schedules

Clarifications in language within residential gas utility schedules residential gas service (G1.1) and residential gas service Magma (GM1.1 and GM1.2) are proposed. These are corrections related to bill uniformity among the various city utilities and have no financial impact.

Interdepartmental Gas Schedule References

Schedules applicable to Interdepartmental gas rates reference commercial schedules that should be used, less taxes. Two Interdepartmental rate schedules currently contain incorrect references. It is proposed that corrections be made to these two rates (G6.2 and Interdepartmental Gas Service-Air Conditioning and G6.10 Interdepartmental Gas Service-Large General). As there are no Interdepartmental customers currently on either of these rates, there will be no financial impact.

Commercial Compressed Natural Gas Schedules

Currently, Mesa General Service Schedules for Compressed Natural Gas Service to customers in both Magma and Mesa restrict such customers of Mesa from the resale of natural gas. Compressed natural gas (CNG) has both a favorable economic and emissions benefit compared with many other fuel types. Nationwide entities such as Waste Management, regional transit authorities, municipal or investor owned gas companies, and municipalities with fleets that include CNG vehicles have obtained partial recovery of their investment in on-site stations by permitting broad or limited

access to others and selling CNG to them. It is proposed that the language restricting the resale of natural gas be stricken from Schedules G3.9 and GM3.9 to clarify that compression and sale of CNG is not restricted.

Terms and Conditions of Service- High Pressure Gas Service

It is proposed that a correction be made in the definition of what constitutes high pressure gas service. This correction is to the technical definition only and will have no impact on revenues or customer charges. The language that high pressure service is available only to non-residential customers will be deleted as high pressure service is provided to residential customers also.

Water Resources

Service Line Installation Fee

It is proposed that the utility service fees associated with installation of water and wastewater service lines be revised from a fixed price to quoted prices based on time and materials to more accurately capture actual costs to the City.

Lateral Blockage Removal Fee

To recover the cost of crews being called to a private residence to flush private lateral sewers a Lateral Blockage Removal Fee is proposed. While Water Resources attempts to triage these calls to ensure that a private plumber is called first, this does not always happen. This fee will provide an economic incentive for the homeowner to call a private plumber before requesting City crews. If the blockage is found to be within the private lateral sewer, for which the customer is responsible, the fee will be charged. If the blockage is found to be within the public main, the fee will not be charged.

Backflow Inspection Fee

Backflow devices are required for certain customer types to protect the public water supply from contamination. While annual backflow inspections are required by City Code, some customers do not comply with this requirement. A Backflow Inspection Fee is proposed to encourage compliance. After a third notice has been sent to the customer and the customer remains out-of-compliance, the Water Resources Department will test the backflow device and include the Backflow Inspection Fee on the customer's utility bill. The fee is set at a level that is higher than that charged by the typical private backflow inspection company, so that customers have an economic incentive to use private contractors and to stay in compliance with City Code, affording enhanced protection of the public water supply.

Parks and Recreation Water Usage Rate

It is proposed that the water rate used for City of Mesa parks and recreation facilities be adjusted to a lower rate. This will assist the City in continuing to provide programming and maintenance of the facilities at the current service levels.

Billing Simplification Initiative

In addition, Water and Energy Resources are proposing non-substantive edits to certain utility rate schedules based on recent efforts to clarify and simplify customer billing statements. These edits will generally make the terminology describing various rates, fees, and charges in the rate schedules and the customer billings more consistent and easier to reconcile, resulting in additional transparency for Mesa Utility customers.

ALTERNATIVES

1. Modify the FY 2013/14 utility rate adjustment proposal.

FISCAL IMPACTS

The FY 2013/14 proposed utility rate adjustments will have no fiscal impact.

Attachments:

1. Average Homeowner's Charges Survey – Local Comparisons
2. Forecast Analysis Model for Utilities
3. Twenty-five Year Residential Rate History
4. Notice of Intention
5. Placeholder for ordinances, resolutions, and rate schedules

AVERAGE HOMEOWNER'S CHARGES SURVEY								
	CITY PROPERTY TAXES (1, 6)		CITY SALES TAXES (2, 7)	SOLID WASTE CHARGES (3)	WATER CHARGES (4)	WASTEWATER CHARGE (5)	ANNUAL TOTAL	PERCENTAGE OF MESA PROPOSED
	PRIMARY	SECONDARY						
MESA-Proposed	median home value	\$109,300						
Rate	\$0.00	\$0.5104	1.75%	\$23.88	\$38.21	\$25.03		
Annual Cost	\$0.00	\$55.79	\$494.18	\$286.56	\$458.57	\$300.36	\$1,595.45	100.0%
MESA-Current		\$109,300						
Rate	\$0.0000	\$0.5104	1.75%	\$23.88	\$38.21	\$25.03		
Annual Cost	\$0.00	\$55.79	\$494.18	\$286.56	\$458.57	\$300.36	\$1,595.45	100.0%
CHANDLER		\$146,800						
Rate	\$0.3292	\$0.9422	1.50%	\$15.07	\$25.93	\$22.17		
Annual Cost	\$35.98	\$138.31	\$576.19	\$180.84	\$311.16	\$266.04	\$1,508.53	94.6%
GILBERT		\$159,000						
Rate	\$0.0000	\$1.1500	1.50%	\$17.30	\$25.13	\$22.14		
Annual Cost	\$0.00	\$182.85	\$505.69	\$207.60	\$301.56	\$265.68	\$1,463.38	91.7%
GLENDALE		\$86,500						
Rate	\$0.2252	\$1.6753	2.90%	\$16.30	\$34.74	\$32.25		
Annual Cost	\$24.61	\$144.91	\$1,044.21	\$195.60	\$416.88	\$387.00	\$2,213.22	138.7%
PHOENIX		\$83,300						
Rate	\$1.2397	\$0.5803	2.00%	\$26.85	\$31.44	\$22.19		
Annual Cost	\$135.50	\$48.34	\$702.55	\$322.20	\$377.28	\$266.28	\$1,852.15	116.1%
SCOTTSDALE		\$244,800						
Rate	\$0.5027	\$0.7225	1.65%	\$16.00	\$36.78	\$18.94		
Annual Cost	\$54.95	\$176.87	\$556.25	\$192.00	\$441.36	\$227.28	\$1,648.71	103.3%
TEMPE		\$128,300						
Rate	\$0.7862	\$1.3552	2.00%	\$19.98	\$34.47	\$26.16		
Annual Cost	\$85.93	\$173.87	\$674.25	\$239.76	\$413.64	\$313.90	\$1,901.35	119.2%

Notes:

1. Single family home with median value for each respective city
(2012 Preliminary Median FCV) x 10% x (Tax Rate/100) Source: Maricopa County Assessor's Office, (Median LPV by city not available)
2. Annual Maricopa County income of: \$62,200 Source: 2012 Median Family Income, Phoenix-Mesa-Glendale MSA - HUD User website
3. Charge for biweekly garbage (and recyclables where applicable) collection using 90 gallon barrels. The Solid Waste residential charges include a \$0.54 Green and Clean fee for Mesa. Other city's environmental fees are also included as applicable.
4. Based on Mesa's average monthly residential water use for the most recent twelve months.
5. Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.
6. Primary and Secondary Tax Rates reflect the 2011 Tax Rates as listed on the County Treasurer's website, which corresponds to the effective tax rates.
7. The city sales tax rate listed is for retail sales. Mesa does not collect sales tax on the sale of food for consumption at home.
If two cities show the same retail sales tax rate, the estimated sales tax dollar amount may be different because some cities have different tax rates for non-retail items.

Proposed Utility Rate Adjustments

City of Mesa, Arizona

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
--	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------

TOTAL ENTERPRISE FUND

TOTAL COSTS: UTILITIES	\$	214,924,869	\$	225,149,918	\$	232,945,797	\$	241,050,207	\$	248,389,637	\$	258,203,585
TOTAL COSTS: OTHER ENTERPRISES	\$	39,846,322	\$	15,316,166	\$	14,927,041	\$	14,988,023	\$	15,123,468	\$	15,404,176
TOTAL COSTS: UTILITIES AND OTHER ENTERPRISES	\$	254,771,191	\$	240,466,083	\$	247,872,838	\$	256,038,230	\$	263,513,105	\$	273,607,761

NETINCOMES AFTER TRANSFER

ELECTRIC	\$	96,428	\$	234,042	\$	2,409,826	\$	2,213,486	\$	2,089,187	\$	1,920,867
GAS	\$	2,004,139	\$	1,772,624	\$	1,218,895	\$	1,043,878	\$	1,063,684	\$	738,294
WATER	\$	2,178,872	\$	(2,879,800)	\$	936,704	\$	1,003,054	\$	3,581,534	\$	6,104,456
WASTEWATER	\$	2,548,144	\$	869,687	\$	347,961	\$	4,203,005	\$	3,751,096	\$	(959,690)
SOLID WASTE	\$	(2,770,126)	\$	(2,703,367)	\$	(798,697)	\$	(184,968)	\$	1,498,071	\$	4,313,917
sub-total: Utilities	\$	4,057,457	\$	(2,706,814)	\$	4,114,689	\$	8,278,456	\$	11,983,572	\$	12,117,843
DISTRICT COOLING	\$	(87,951)	\$	315,832	\$	309,119	\$	302,061	\$	294,612	\$	286,807
ECONOMIC INVESTMENT	\$	(25,125,035)	\$	(6,486,363)	\$	(5,968,652)	\$	(5,868,688)	\$	(5,834,378)	\$	(5,829,244)
GOLF	\$	(990,922)	\$	(674,558)	\$	(655,098)	\$	(678,781)	\$	(712,409)	\$	(862,527)
HOHOKAM-FITCH	\$	(580,892)	\$	(1,232,675)	\$	(850,779)	\$	(868,329)	\$	(885,236)	\$	(902,676)
CUBS SPRING TRAINING -OPERATIONS	\$	-	\$	(1,060,100)	\$	(1,496,278)	\$	(1,528,260)	\$	(1,560,656)	\$	(1,594,470)
CONVENTION CENTER	\$	(1,238,304)	\$	(1,239,431)	\$	(1,268,548)	\$	(1,301,084)	\$	(1,336,249)	\$	(1,373,328)
sub-total: Other Enterprises	\$	(28,023,105)	\$	(10,377,296)	\$	(9,930,235)	\$	(9,943,082)	\$	(10,034,316)	\$	(10,275,438)
TOTAL: UTILITIES AND OTHER ENTERPRISES	\$	(23,965,649)	\$	(13,084,110)	\$	(5,815,546)	\$	(1,664,626)	\$	1,949,256	\$	1,842,405

ENDING FUND BALANCE (unrestricted)	\$	50,120,557	\$	37,036,448	\$	31,220,902	\$	29,556,276	\$	31,505,532	\$	33,347,936
<i>Ending Fund Balance as a % of Total Costs NFY</i>		20.84%		14.94%		12.19%		11.22%		11.51%		12.10%

RATE ADJUSTMENTS

ELECTRIC-(residential only)	0.000%	0.000%	2.000%	2.000%	2.000%	2.000%
GAS	0.000%	0.000%	3.000%	3.000%	3.000%	3.000%
WATER	0.000%	0.000%	4.100%	3.800%	3.000%	3.000%
WASTEWATER	0.000%	0.000%	4.100%	3.800%	3.000%	3.000%
SOLID WASTE	0.000%	0.000%	4.100%	3.800%	3.000%	3.000%

	Avg. Mo. Res. Bill				Impacts							
ELECTRIC-(residential only)	\$	77.18	\$	-	\$	1.54	\$	1.57	\$	1.61	\$	1.64
GAS	\$	24.47	\$	-	\$	0.73	\$	0.76	\$	0.78	\$	0.80
WATER	\$	38.21	\$	-	\$	1.57	\$	1.51	\$	1.24	\$	1.28
WASTEWATER	\$	25.03	\$	-	\$	1.03	\$	0.99	\$	0.81	\$	0.84
SOLID WASTE	\$	23.88	\$	-	\$	0.98	\$	0.94	\$	0.77	\$	0.80
Homeowner Survey Impact (Water, Wastewater, Solid Waste)	\$	87.12			\$	3.57	\$	3.45	\$	2.82	\$	2.91

Proposed Utility Rate Adjustments

City of Mesa, Arizona

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
Combined Utilities:						
REVENUES without purchased power and natural gas pass-through	\$ 268,624,769	\$ 271,148,344	\$ 281,867,112	\$ 293,769,300	\$ 304,460,903	\$ 315,140,014
APPROPRIATIONS/EXPENSES						
Total Operating Costs without Purchased Power & Gas Costs)	\$ 112,378,989	\$ 113,921,245	\$ 117,068,440	\$ 120,379,398	\$ 123,543,150	\$ 126,943,147
RER (2%)	5,372,495	5,422,967	5,637,342	5,875,386	6,089,218	6,302,800
Capital Outlay	6,232,874	5,512,542	2,997,010	3,868,403	4,232,304	3,346,322
Off-setting Revenues	(6,481,344)	(5,120,783)	(5,446,186)	(5,671,043)	(5,805,643)	(5,826,379)
Existing Debt Service	\$ 63,449,298	\$ 67,942,645	\$ 68,116,935	\$ 67,873,227	\$ 67,934,779	\$ 72,556,352
Future Issuances with Voter Approval	0	2,561,542	4,938,682	6,128,437	6,248,922	6,235,571
Future Issuances Needing Voter Approval	0	0	825,200	3,422,035	6,619,599	9,849,358
Total Debt Service	\$ 63,449,298	\$ 70,504,187	\$ 73,880,817	\$ 77,423,699	\$ 80,803,300	\$ 88,641,280
Net Debt Service	56,967,954	65,383,404	68,434,630	71,752,656	74,997,658	82,814,902
Total Costs without Purchased Power & Gas Costs	\$ 180,952,312	\$ 190,240,158	\$ 194,137,422	\$ 201,875,844	\$ 208,862,330	\$ 219,407,171
Total Net Income	\$ 87,672,457	\$ 80,908,186	\$ 87,729,689	\$ 91,893,456	\$ 95,598,572	\$ 95,732,843
Net Income as a % of Revenue	32.6%	29.8%	31.1%	31.3%	31.4%	30.4%
Transfers Out	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)
Transfer as a % of Revenue	31.1%	30.8%	29.7%	28.5%	27.5%	26.5%
NET INCOME AFTER GF TRANSFER	\$ 4,057,457	\$ (2,706,814)	\$ 4,114,689	\$ 8,278,456	\$ 11,983,572	\$ 12,117,843

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Electric Program Enterprise Fund

*Rate Adjustments (Proposed in Highlighted Area) **

REVENUES without purchased power pass-through

APPROPRIATIONS/EXPENSES

Total Operating Costs without purchased power costs

RER (2%)

Capital Outlay

Off-setting Revenues

Existing Debt Service

Future Issuances with Voter Approval

Future Issuances Needing Voter Approval

Total Debt Service

Net Debt Service

Total Costs

Total Net Income

Net Income as a % of Revenue

Transfers Out

*Transfer as a % of Revenue***NET INCOME AFTER GF TRANSFER**

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
REVENUES without purchased power pass-through	\$ 17,346,515	\$ 17,448,239	\$ 17,620,987	\$ 17,826,636	\$ 18,121,224	\$ 18,386,953
APPROPRIATIONS/EXPENSES						
Total Operating Costs without purchased power costs	\$ 7,050,979	\$ 7,159,505	\$ 7,396,950	\$ 7,631,292	\$ 7,873,586	\$ 8,126,518
RER (2%)	\$ 346,930	\$ 348,965	\$ 352,420	\$ 356,533	\$ 362,424	\$ 367,739
Capital Outlay	2,977,083	2,613,600	200,000	200,000	200,000	200,000
Off-setting Revenues	(162,353)	(162,353)	(162,353)	(162,353)	(162,353)	(162,353)
Existing Debt Service	\$ 1,037,448	\$ 1,083,018	\$ 1,083,018	\$ 1,083,018	\$ 1,083,018	\$ 1,083,018
Future Issuances with Voter Approval	0	171,462	341,127	336,676	336,002	336,002
Future Issuances Needing Voter Approval	0	0	0	167,985	339,360	515,163
Total Debt Service	\$ 1,037,448	\$ 1,254,480	\$ 1,424,145	\$ 1,587,678	\$ 1,758,380	\$ 1,934,183
Net Debt Service	875,095	1,092,127	1,261,791	1,425,325	1,596,026	1,771,830
Total Costs	\$ 11,250,087	\$ 11,214,197	\$ 9,211,161	\$ 9,613,149	\$ 10,032,037	\$ 10,466,087
Total Net Income	\$ 6,096,428	\$ 6,234,042	\$ 8,409,826	\$ 8,213,486	\$ 8,089,187	\$ 7,920,867
<i>Net Income as a % of Revenue</i>	35.1%	35.7%	47.7%	46.1%	44.6%	43.1%
Transfers Out	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)
<i>Transfer as a % of Revenue</i>	34.6%	34.4%	34.1%	33.7%	33.1%	32.6%
NET INCOME AFTER GF TRANSFER	\$ 96,428	\$ 234,042	\$ 2,409,826	\$ 2,213,486	\$ 2,089,187	\$ 1,920,867

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Gas Program Enterprise Fund

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
<i>Rate Adjustments (Proposed in Highlighted Area) *</i>	0.0%	0.0%	3.0%	3.0%	3.0%	3.0%
REVENUES without natural gas pass-through	\$ 26,169,841	\$ 26,367,321	\$ 27,133,813	\$ 28,121,654	\$ 29,193,315	\$ 30,334,690
APPROPRIATIONS/EXPENSES						
Total Operating Costs without purchased natural gas costs	\$ 11,880,554	\$ 12,026,109	\$ 12,464,183	\$ 12,905,976	\$ 13,365,397	\$ 13,849,014
RER (2%)	\$ 523,397	\$ 527,346	\$ 542,676	\$ 562,433	\$ 583,866	\$ 606,694
Capital Outlay	453,055	462,161	472,884	481,821	490,060	498,489
Off-setting Revenues	(252,313)	(252,313)	(252,313)	(252,313)	(252,313)	(252,313)
Existing Debt Service	\$ 4,390,661	\$ 4,196,295	\$ 4,464,181	\$ 4,569,954	\$ 4,607,642	\$ 5,000,891
Future Issuances with Voter Approval	0	464,750	996,177	954,163	954,163	954,163
Future Issuances Needing Voter Approval	0	0	56,782	685,394	1,210,468	1,769,109
Total Debt Service	\$ 4,390,661	\$ 4,661,045	\$ 5,517,140	\$ 6,209,511	\$ 6,772,273	\$ 7,724,164
Net Debt Service	4,138,348	4,408,732	5,264,827	5,957,199	6,519,961	7,471,851
Total Costs	\$ 16,995,354	\$ 17,424,349	\$ 18,744,570	\$ 19,907,428	\$ 20,959,284	\$ 22,426,048
Total Net Income	\$ 9,174,487	\$ 8,942,972	\$ 8,389,243	\$ 8,214,226	\$ 8,234,032	\$ 7,908,642
Net Income as a % of Revenue	35.1%	33.9%	30.9%	29.2%	28.2%	26.1%
Transfers Out	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)
Transfer as a % of Revenue	27.4%	27.2%	26.4%	25.5%	24.6%	23.6%
NET INCOME AFTER GF TRANSFER	\$ 2,004,139	\$ 1,772,624	\$ 1,218,895	\$ 1,043,878	\$ 1,063,684	\$ 738,294

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Water Program Enterprise Fund

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
<i>Rate Adjustments (Proposed in Highlighted Area) *</i>	0.0%	0.0%	4.1%	3.8%	3.0%	3.0%
REVENUES	\$ 112,751,120	\$ 113,820,049	\$ 118,440,492	\$ 123,705,410	\$ 128,263,212	\$ 132,899,778
APPROPRIATIONS/EXPENSES						
Total Operating Costs	\$ 38,252,115	\$ 38,998,018	\$ 40,214,727	\$ 41,575,029	\$ 42,954,248	\$ 44,446,883
RER (2%)	\$ 2,255,022	\$ 2,276,401	\$ 2,368,810	\$ 2,474,108	\$ 2,565,264	\$ 2,657,996
Capital Outlay	819,699	209,000	74,000	74,000	74,000	74,000
Off-setting Revenues	(3,348,320)	(2,613,207)	(2,763,393)	(2,867,173)	(2,929,296)	(2,938,867)
Existing Debt Service	\$ 26,848,750	\$ 29,300,557	\$ 27,345,867	\$ 29,461,268	\$ 28,832,716	\$ 28,433,981
Future Issuances with Voter Approval	0	1,284,099	2,250,379	2,171,486	2,171,486	2,171,486
Future Issuances Needing Voter Approval	0	0	768,417	2,568,657	3,768,279	4,704,862
Total Debt Service	\$ 26,848,750	\$ 30,584,656	\$ 30,364,663	\$ 34,201,411	\$ 34,772,481	\$ 35,310,329
Net Debt Service	23,500,430	27,971,449	27,601,270	31,334,237	31,843,184	32,371,462
Total Costs	\$ 64,827,266	\$ 69,454,867	\$ 70,258,807	\$ 75,457,374	\$ 77,436,696	\$ 79,550,341
Total Net Income	\$ 47,923,854	\$ 44,365,182	\$ 48,181,686	\$ 48,248,036	\$ 50,826,516	\$ 53,349,438
<i>Net Income as a % of Revenue</i>	42.5%	39.0%	40.7%	39.0%	39.6%	40.1%
Transfers Out	\$ (45,744,982)	\$ (47,244,982)	\$ (47,244,982)	\$ (47,244,982)	\$ (47,244,982)	\$ (47,244,982)
<i>Transfer as a % of Revenue</i>	40.6%	41.5%	39.9%	38.2%	36.8%	35.5%
NET INCOME AFTER GF TRANSFER	\$ 2,178,872	\$ (2,879,800)	\$ 936,704	\$ 1,003,054	\$ 3,581,534	\$ 6,104,456

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Wastewater Program Enterprise Fund

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
<i>Rate Adjustments (Proposed in Highlighted Area) *</i>	0.0%	0.0%	4.1%	3.8%	3.0%	3.0%
REVENUES	\$ 64,845,903	\$ 65,301,139	\$ 68,192,525	\$ 71,108,328	\$ 73,691,613	\$ 76,247,108
APPROPRIATIONS/EXPENSES						
Total Operating Costs	\$ 25,874,718	\$ 26,569,077	\$ 27,509,368	\$ 28,456,456	\$ 29,423,115	\$ 30,439,643
RER (2%)	\$ 1,296,918	\$ 1,306,023	\$ 1,363,851	\$ 1,422,167	\$ 1,473,832	\$ 1,524,942
Capital Outlay	564,677	106,000	90,000	90,000	90,000	90,000
Off-setting Revenues	(2,718,358)	(2,092,910)	(2,268,127)	(2,389,204)	(2,461,680)	(2,472,846)
Existing Debt Service	\$ 31,073,272	\$ 33,195,498	\$ 35,091,940	\$ 32,526,958	\$ 33,193,654	\$ 37,858,083
Future Issuances with Voter Approval	0	641,231	1,351,000	2,092,413	2,213,571	2,200,220
Future Issuances Needing Voter Approval	0	0	0	0	1,301,493	2,860,223
Total Debt Service	\$ 31,073,272	\$ 33,836,729	\$ 36,442,940	\$ 34,619,371	\$ 36,708,718	\$ 42,918,526
Net Debt Service	28,354,914	31,743,819	34,174,813	32,230,167	34,247,038	40,445,680
Total Costs	\$ 56,091,227	\$ 59,724,919	\$ 63,138,031	\$ 62,198,790	\$ 65,233,985	\$ 72,500,265
Total Net Income	\$ 8,754,677	\$ 5,576,220	\$ 5,054,494	\$ 8,909,538	\$ 8,457,629	\$ 3,746,843
<i>Net Income as a % of Revenue</i>	13.5%	8.5%	7.4%	12.5%	11.5%	4.9%
Transfers Out	\$ (6,206,533)	\$ (4,706,533)	\$ (4,706,533)	\$ (4,706,533)	\$ (4,706,533)	\$ (4,706,533)
<i>Transfer as a % of Revenue</i>	9.6%	7.2%	6.9%	6.6%	6.4%	6.2%
NET INCOME AFTER GF TRANSFER	\$ 2,548,144	\$ 869,687	\$ 347,961	\$ 4,203,005	\$ 3,751,096	\$ (959,690)

Proposed Utility Rate Adjustments

City of Mesa, Arizona

	ESTIMATE FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17	FORECAST FY2017/18
Solid Waste Program Enterprise Fund						
<i>Rate Adjustments (Proposed in Highlighted Area) *</i>	0.0%	0.0%	4.1%	3.8%	3.0%	3.0%
REVENUES	\$ 47,511,389	\$ 48,211,597	\$ 50,479,294	\$ 53,007,272	\$ 55,191,537	\$ 57,271,484
APPROPRIATIONS/EXPENSES						
Total Operating Costs	\$ 29,320,623	\$ 29,168,537	\$ 29,483,212	\$ 29,810,646	\$ 29,926,805	\$ 30,081,088
RER (2%)	\$ 950,228	\$ 964,232	\$ 1,009,586	\$ 1,060,145	\$ 1,103,831	\$ 1,145,430
Capital Outlay	1,418,360	2,121,781	2,160,127	3,022,582	3,378,244	2,483,833
Off-setting Revenues	0	0	0	0	0	0
Existing Debt Service	\$ 99,167	\$ 167,277	\$ 131,929	\$ 232,029	\$ 217,749	\$ 180,379
Future Issuances with Voter Approval	0	0	0	573,700	573,700	573,700
Future Issuances Needing Voter Approval	0	0	0	0	0	0
Total Debt Service	\$ 99,167	\$ 167,277	\$ 131,929	\$ 805,729	\$ 791,449	\$ 754,079
Net Debt Service	99,167	167,277	131,929	805,729	791,449	754,079
Total Costs	\$ 31,788,378	\$ 32,421,827	\$ 32,784,853	\$ 34,699,103	\$ 35,200,329	\$ 34,464,430
Total Net Income	\$ 15,723,011	\$ 15,789,770	\$ 17,694,440	\$ 18,308,170	\$ 19,991,208	\$ 22,807,054
<i>Net Income as a % of Revenue</i>	33.1%	32.8%	35.1%	34.5%	36.2%	39.8%
Transfers Out	(18,493,137)	(18,493,137)	(18,493,137)	(18,493,137)	(18,493,137)	(18,493,137)
<i>Transfer as a % of Revenue</i>	38.9%	38.4%	36.6%	34.9%	33.5%	32.3%
NET INCOME AFTER GF TRANSFER	\$ (2,770,126)	\$ (2,703,367)	\$ (798,697)	\$ (184,968)	\$ 1,498,071	\$ 4,313,917

TWENTY-FIVE YEAR RESIDENTIAL RATE HISTORY
 (% of residential rate adjustment each year)

FISCAL YEAR	ELECTRIC (6)	NATURAL GAS (5)	WATER	WASTEWATER	SOLID WASTE
FY'89/90	2.00%	5.00%	5.00%	12.50%	3.00%
FY'90/91	5.65%	4.00%	6.50%	12.00%	5.00%
FY'91/92	3.00%	0.00%	4.50%	5.00%	4.00%
FY'92/93	1.25%	0.00%	2.31%	7.75%	10.00%
FY'93/94 (1)	1.50%	0.00%	4.00%	3.94%	15.30%
FY'94/95 (2)	0.00%	0.00%	3.68%	0.00%	0.00%
FY'95/96 (3)	0.00%	0.00%	8.38%	0.00%	0.00%
FY'96/97	0.00%	0.00%	0.00%	0.00%	0.00%
FY'97/98 (4)	0.00%	3.20%	5.30%	5.10%	7.00%
FY'98/99	0.00%	0.00%	0.00%	0.00%	0.00%
FY'99/00	0.00%	7.13%	5.00%	5.00%	0.00%
FY'00/01	0.00%	3.00%	3.00%	3.00%	3.30%
FY'01/02	0.00%	6.00%	4.00%	4.00%	6.30%
FY'02/03	0.00%	6.00%	5.00%	5.00%	6.00%
FY'03/04	2.00%	3.00%	4.00%	5.00%	5.00%
FY'04/05	0.00%	4.00%	4.50%	6.00%	5.00%
FY'05/06	0.00%	5.00%	5.00%	5.00%	5.00%
FY'06/07	0.00%	5.00%	6.60%	5.00%	5.00%
FY'07/08	0.00%	5.00%	4.50%	7.00%	5.00%
FY'08/09	0.00%	3.00%	3.00%	4.50%	5.50%
FY'09/10	0.00%	3.00%	3.40%	6.50%	0.00%
FY'10/11	0.00%	2.50%	5.50%	4.50%	0.00%
FY'11/12	0.00%	2.50%	6.80%	5.80%	0.00%
FY'12/13	0.00%	0.00%	0.00%	0.00%	0.00%
FY'13/14	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

1. Solid Waste - Net change of 15.3%. Increased from \$12.35 to \$15.75 on 7/1/93. Reduced to \$14.25 on 12/1/93.
2. Water - Net average annual adjustment for water customers in the Western Zone customers only.
3. Water - 8.38% Net average annual increase for residential water customers in the Western Zone only.
4. Water - Balancing of water rates completed City-wide. Percentage shown is composite of changes made to the previous Western, Eastern and RWCD zones.
5. Natural Gas - The rate of increase for natural gas services could be higher (or lower) depending on the price of the natural gas resulting from variations in market prices and the City's gas supply contracts.
6. Electric - The rate of increase for electric services could be higher (or lower) depending on the price of the purchased power resulting from variations in market prices and the City's purchased power supply contracts.

Attachment 4

Notice of Intention

The Mayor and Council of the City of Mesa adopts this Notice of Intention to adjust rates or rate components, fees and/or service charges for district cooling, electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water.

A public hearing on the proposed adjustments will be held as part of the City Council's regular meeting on June 17, 2013 at 5:45 pm in the Mesa City Council Chambers located at 57 East 1st Street.

A copy of the written report supporting the revised rate schedules for electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water along with the proposed Ordinances and Resolutions will be available in the Office of the City Clerk, 20 E. Main Street, Suite 150, Mesa, Arizona, by May 09, 2013.

Attachment 5

Ordinances, Resolutions and Rate Schedules

These documents will be included with the City Council packet to be filed with the City Clerk in compliance with ARS 9-511.01 and presented to the City Council prior to the introduction of the associated ordinances on June 3, 2013.